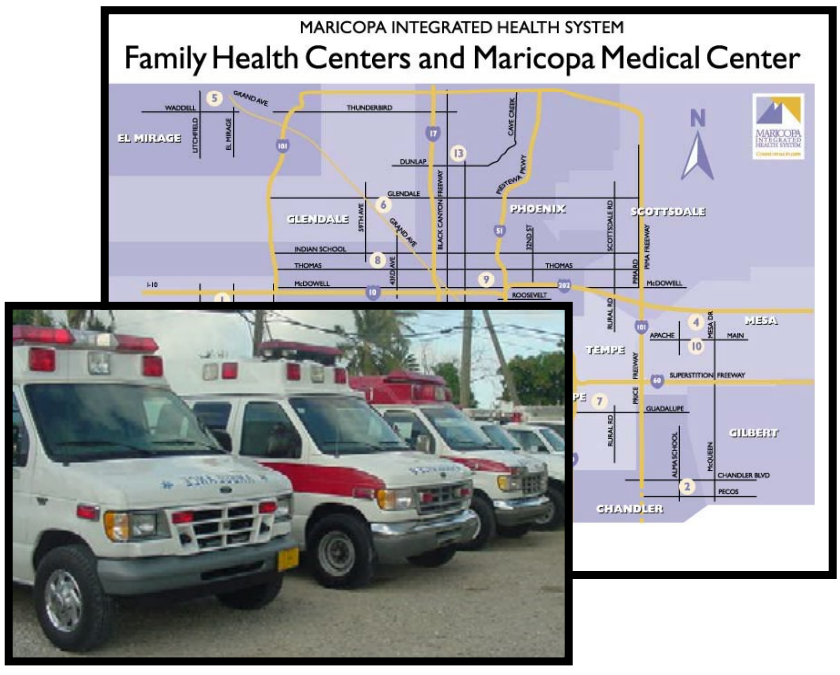
Internal Audit Report

Maricopa Integrated Health System Review of Selected Contracts

- ComTrans Ambulance Service Inc.
- ComTrans Inc.
- Professional Medical Transport Inc.

November 2004



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November 10, 2004

Andrew Kunasek, Chairman, Board of Supervisors
Fulton Brock, Supervisor, District I
Don Stapley, Supervisor, District II
Max W. Wilson, Supervisor, District IV
Mary Rose Wilcox, Supervisor, District V

We have completed our FY 2003-04 review of Maricopa Integrated Health System (MIHS) patient transportation contracts with ComTrans Ambulance Service Inc., ComTrans Inc., and Professional Medical Transport, Inc. The audit was performed in accordance with the annual audit plan approved by the Board of Supervisors.

Highlights of this report include the following:

- MIHS needs to strengthen contract monitoring procedures
- Over 40 percent of the claims reviewed contained errors—including duplicate payments

As a result of the work detailed in this report, management requested Internal Audit assistance in reviewing the policies, controls, and effectiveness of MIHS' Quality Assurance Claim Audit process.

This report contains an executive summary, specific information on the areas reviewed, and MIHS responses to our recommendations. We have reviewed this information with the Procurement Director, the Claims Director, and the Administrator for Innovation. We appreciate the cooperation provided by MIHS management and staff. If you have any questions, or wish to discuss the information presented in this report, please contact Eve Murillo at 602-506-7245.

Sincerely,

Ross L. Tate

Ross L. Tate
County Auditor

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Executive Summary

Contract Monitoring (Page 3)

Maricopa Integrated Health System (MIHS) has not developed effective contract monitoring policies to ensure vendor compliance with contract terms and conditions. Required contract documentation is missing or expired, and contract clauses are not always enforced. As a result, the County is vulnerable to financial loss. MIHS should strengthen controls over its contract monitoring activities.

Claims Processing (Page 5)

We tested 1,400 claims that were processed through MIHS' claims processing system (OAO) and found that over 40 percent contained errors such as inaccurate rates or duplicate payments. Numerous processing and payment errors result in poor vendor relations. Excessive errors can also lead to Arizona Health Care Cost Containment System (AHCCCS) imposed sanctions. MIHS should strengthen controls over its claims processing activities.

Introduction

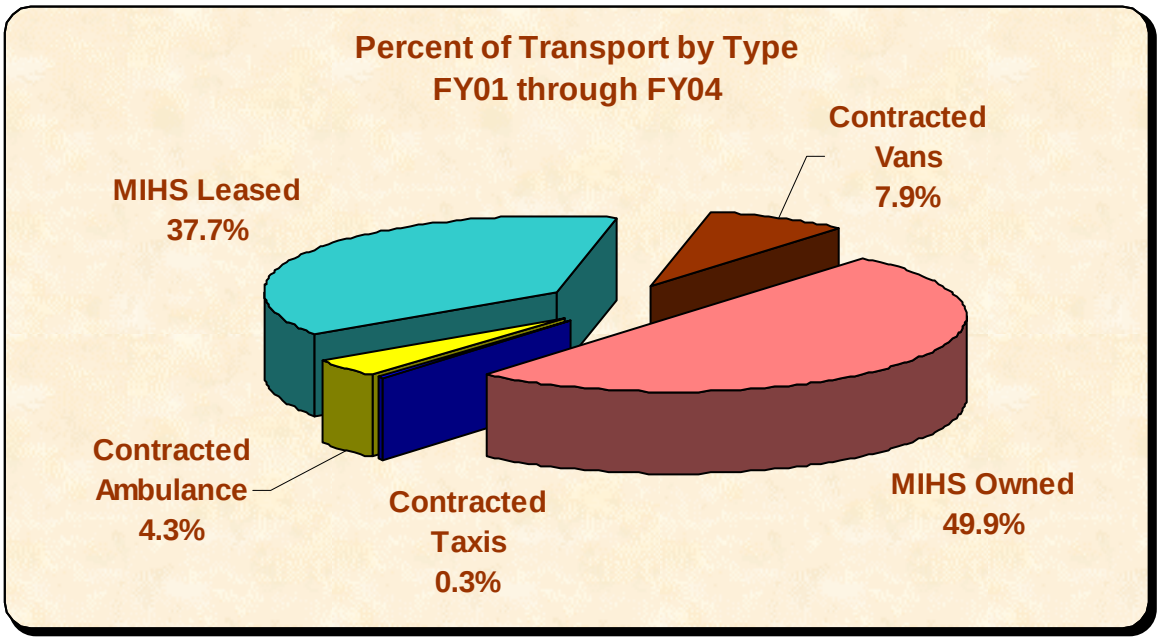
Background

The MIHS Patient Transportation Services department (PTS) arranges transportation for MIHS health plan members and others with healthcare transportation needs. PTS handles approximately 44,500 transports per year, averaging 123 transports per day.

MIHS utilizes the following resources to provide wheelchair/stretcher van, taxi, or ambulance service:

- 14 MIHS owned vans ("Owned")
- 8 leased vans and drivers (" Leased")
- Outside contractors ("Contracted") such as ComTrans and Professional Medical Transport

As the chart on the next page illustrates, PTS handles 50 percent of the van transports with MIHS owned equipment and staff, and another 38 percent with leased vans and drivers for which MIHS pays per diem rates. Outside contractors handle the remaining transports (12 percent).



Manual Scheduling Process

PTS does not have automated scheduling software. Consequently, one or two PTS staff members spend four or more hours every day manually scheduling the more than 100 visits for the following day. This process involves determining and manually mapping 1) pick-up and drop-off locations, 2) the most efficient routes, and 3) times to accommodate client transport. PTS first schedules MIHS owned and leased vans to reduce contract costs. Contracted vendors provide the remaining transports—those involving special needs and outlying locations.

Scope and Methodology

The objectives of this audit were to determine that:

- Contracts are negotiated and executed in accordance with Article 3 Procurement Code or Article 13 policy requirements
- Contractors fulfill the contractual obligations for transportation services and comply with all other terms and conditions of the contract
- Billing invoices agree to the contract pricing list, and payments do not exceed the rates/amounts authorized
- MIHS effectively monitors contractors' performance and compliance with contract terms and conditions

This audit was performed in accordance with generally accepted government auditing standards.

Issue 1 Contract Monitoring

Summary

Maricopa Integrated Health System (MIHS) has not developed effective contract monitoring policies to ensure vendor compliance with contract terms and conditions. Required contract documentation is missing or expired, and contract clauses are not always enforced. As a result, the County is vulnerable to financial loss. MIHS should strengthen controls over its contract monitoring activities.

Compliance Requirements

Arizona statutes provide the basis for Maricopa County Procurement Code and County policy. Pricing, terms, and conditions are included in the original contract and amendments between MIHS and ComTrans Ambulance Service Inc., ComTrans Inc., and Professional Medical Transport, Inc. Each contract requires MIHS to monitor compliance and performance, and to take corrective action when necessary.

Effective internal controls over the invoice process include verifying invoice price accuracy, confirming that authorized staffed sign invoices, and establishing a central location to receive invoices.

Review Results

Our review of ComTrans Ambulance Service Inc. (CAS) and ComTrans Inc. (CI) identified the following exceptions to contract terms and conditions:

- **Incomplete insurance documentation**

  a. Certificate of Insurance names The Arizona Department of Health Services rather than MIHS as additional insured. (CAS)

  b. Workers Compensation Insurance names Canyon State Ambulance as insured; other documentation shows Application for Register with name American ComTrans instead of CAS; Workers Compensation insurance has expired with no evidence of renewal. (CAS)

- **Questionable Sole Source status**

  Sole Source justification and documentation is on file for the ambulance service contract. However, two bids were received for the contract, and any ambulance service can provide behavioral transportation. This does not appear to be a true Sole Source contract. (CAS)

- **Contract documentation lacks evidence of legal review**

  Agenda Information Form Article 13 Procurement has no evidence of legal review for Amendments 7, 8, 9 (CAS) and Amendments 1 through 4 (CI).

- **MIHS does not enforce all vendor contract requirements**

  The contract requires the vendor to submit a log monthly to MIHS Medical Management listing specific information. The Director of Medical Management states the department

no longer receives these; the Contract Specialist stated this requirement is not enforced. (CAS)

- **MIHS does not perform an annual transportation customer satisfaction survey**

  The Provider Services Manager reported that surveys of members receiving transports were completed in 2001 and are being done in 2004. Management stated lack of staffing and turnover prevented the department from performing surveys annually. (CI)

- **Invoices/claims are not paid at contract rates**

  Invoices/claims for CAS, CI, and Professional Medical Transport, Inc. (PMT) are not always paid at the contracted rates and terms. PMT was not reviewed for documentation compliance, but was reviewed for accuracy of claim payments. (See Issue 2 for detail)

- **Contract not-to-exceed (NTE) amounts may not be adequate to cover claims**

  The ComTrans Inc. contract may have been underpaid by as much as 65 percent of the contract rate for a significant portion of the contract period. If accurate payments had been made, we estimate the NTE amount would have been exceeded by $10,000. (CI)

Missing contract documentation may result in financial liability or losses for MIHS and the County, and may delay the identification of potential problems and issues that require resolution. MIHS has not established effective policies and procedures for contract monitoring. Monitoring reviews are inadequate to identify and resolve non-compliance issues related to contract terms and conditions.

Recommendations

MIHS Procurement should:

A. Establish an effective contract monitoring function to ensure that vendors comply with contract terms and conditions, and that payments are made in accordance with contract rates.

B. Obtain missing or outdated contract documentation on the ComTrans contracts.

C. Develop an action plan to review other transportation contracts to ensure all required documentation is current, and all claims are paid according to contract terms and conditions.

D. Evaluate the need for an automated Patient Transport scheduling system to streamline the manual process and improve efficiency in the transportation operation.

Issue 2 Claims Processing

Summary

We tested 1,400 claims that were processed through MIHS' claims processing system (OAO) and found that over 40 percent contained errors such as inaccurate rates or duplicate payments. Numerous processing and payment errors result in poor vendor relations. Excessive errors can also lead to Arizona Health Care Cost Containment System (AHCCCS) imposed sanctions. MIHS should strengthen controls over its claims processing activities.

Compliance Requirements

Compliance requirements cited in Issue 1 also apply to contract claim processing.

Arizona statutes provide requirements for use of stretcher vans versus ambulance transports and for regulation of ambulance service and rates. AHCCCS provides procedure codes and coverage information for emergency transportation services.

Claim Payment Processing

Our review included three transportation providers:

- ComTrans Ambulance Service Inc. (CAS) provides authorized non-emergency behavioral health ambulance transports between MIHS and the Desert Vista Behavioral Health facility, the Arizona State Hospital, or other facilities
- ComTrans Inc. (CI) accommodates non-emergency behavioral health transportation needs of MIHS health plan members via wheelchair/stretcher or passenger vans
- Professional Medical Transport Inc. (PMT) provides non-emergency ambulance transportation to Maricopa Managed Care System members, and is not limited to behavioral health clients

Background

Non-health plan member claims are processed through the Star Accounts Payable system and health plans member claims are processed through the OAO claims processing system.

MIHS did not successfully implement or install the OAO claims processing system and related provider tables and data. One significant problem with OAO is that it does not interface with the Medical Management Authorization system, resulting in insufficient detail and documentation for staff to process claims properly.

With respect to transportation contracts, we found that MIHS does not process transportation claim payments in compliance with contract terms and conditions, resulting in various errors—such as duplicate payments. Undocumented changes to the OAO system, affecting multiple claim lines, have created mass adjudication (data and decision validation) errors. Claim payment errors affect the accuracy of reported expenditures, and duplicate claims affect the reported encounter numbers.

Review Results

From paid warrant records (FY03 and FY04), we judgmentally selected nine warrants representing 274 non-health plan ambulance service clients and eleven warrants representing 175 health plan client transports. We identified over 609 exceptions out of 1,424 reviewed claims, a 43 percent exception rate. Specific test results, by exception and contract are summarized in the Appendix on page 9.

The exceptions we found can be categorized as follows:

- **OAO claims system remittances did not always balance to issued warrants**

  Several remits (payment detail) reviewed did not initially balance to the paid warrant totals. Audit requested that MIHS Information Technology provide reconstructed original remit data.

  Our analysis uncovered an issue that may affect numerous claims. Paid claims normally reflect a "1" Pay Code Status. All of the missing remit items had a "W" in the Pay Code Status field. When the previous MIHS claim system (INC) data was loaded into OAO, a "W" code was redefined to identify claims with service dates prior to 5/1/2002 as aged claims. The "W" was intended to mark pended claims to prevent payment. Our research proved that many claims with "W" in fact had been paid. We informed claims personnel who were unaware that the "W" had attached to paid claims. This issue may have broad implications as an MIHS report showed 37,000 claim lines with a "W."

- **Ambulance service claims were not always paid at the contracted rate**

  Of the claims for health plan members we reviewed, 44% of those paid to ComTrans Ambulance Service Inc (CAS), and 69% of those paid to Professional Medical Transport, Inc. (PMT) were paid at incorrect rates.

- **Wheelchair/stretcher van transport claims were paid incorrectly**

  MIHS paid three remits to ComTrans Inc (CI) at an incorrect rate instead of the fixed contract rate, affecting approximately 540 claim lines. Although not tested, previously paid CI claims showed additional payments were not made in compliance with the contract. This vendor had identified and discussed the payment issue with MIHS, but no action was taken to resolve this issue until June 2004.

- **Duplicate claim payments**

  Testing uncovered 216 CI and 4 PMT claims paid more than once. CI claims, paid via an 8/8/2002 INC system warrant, were loaded into OAO for historical purposes. OAO assigned a new form number to each claim; this made the claims appear unpaid. With few exceptions, every claim on the original 8/8/02 remit was repaid on 1/23/2003 or other dates. We verified these were the same claims by reviewing Health Care Finance Administration 1500 (HCFA-1500) claim forms.

  Duplicate payments made to CI on 1/23/03 (related to 8/8/2002 claims) made it appear that the vendor was overpaid. However, because this remit and two others were paid at an incorrect rate, the vendor was actually underpaid.

- **Ineffective claim review process**

  MIHS staff does not thoroughly review claim histories prior to processing reversals or authorizing payment actions. This compounds existing errors.

- **Required support documentation not available**

  An originally submitted HCFA 1500 claim form, or other applicable documentation, is not on file to support each individual claim. Often the same HCFA 1500 form is referenced for more than one claim payment.

- **MIHS does not pay claims timely to comply with contract terms**

  The PMT testing showed that 63 of 70 claims tested were not paid timely. ComTrans claims were affected, changed, and repaid up to two years after their original submission. OAO system problems, compounded by claim payment errors, have caused claims to be reversed and repaid many times.

- **Inauditable process**

  Lack of auditable documentation prevented Internal Audit from completing an examination of OAO system data and transactions associated with a "mass adjudication" (validation) that MIHS conducted November 2003. This adjudication changed benefit categories, processed reversals and payments, and impacted a large number of claims. Information and documentation to support this mass adjudication and to reconcile accounts before and after adjudication was not available. We reviewed some claim items on affected remits but deemed them inauditable, due to lack of documentation and the amount of resources it would take to research individual items.

- **Claim authorizations are not always entered on the OAO system**

  Requiring and ascertaining that services are appropriately authorized before payments are made is crucial to effective health care cost containment. Our testing of ComTrans claims revealed that while some authorizations appear in OAO, most do not. A Health Plan Coordinator informed us that authorizations may be in the Medical Management system, but, as stated earlier, this database does not interface or transfer information to OAO. Without authorization information, the claims staff may not be able to accurately process claims.

- **Trip documentation is incomplete**

  HCFA 1500 claim forms do not consistently reflect transportation pick up and drop off addresses and times, as required by AHCCCS and the contracts' amendments. This detailed information helps prevent duplicate payments and excess mileage charges.

Recommendations

For information purposes only. These recommendations will **not** require a response to Internal Audit as MIHS is responding to AHCCCS.

A. MIHS Health Plans and Claim Processing should continue to work on the actions identified in MIHS Health Plan's Corrective Action Plan dated 6/25/04, developed in response to the May 27, 2004 letter of AHCCCS concerns.

This plan includes developing business rules, policies, and procedures for claims processing, and training claim processors. It also calls for methodologies to identify and address the substantial number of claims with payment errors.

B. Information Technology should focus on recognizing the significant technical issues and develop plans to address them, such as installation and monitoring of the new Third Party Administrator, and correction, improvement, and disposition of the OAO system aged claims.

Appendix

SUMMARY OF CLAIM PAYMENT TESTING (1)					
Vendor	ComTrans Ambulance Svc	ComTrans Ambulance Svc	ComTrans ComTrans Inc	Professional Medical Transport, Inc	
Period Reviewed	FY03 and FY04 through 11/2003	FY03 and FY04 through 1/2004	FY03 and FY04 through 10/2003	Calendar Year 2003	
Fund/System Payment	567/Star AP	540/OAO	540/OAO	540/OAO	**TOTALS**
# Warrants Tested	9	3	3	5	**20**
Total $ Tested	$95,227	$16,318	$8,828	$118,161	**$238,534**
Total Warrant Population	9	23	38	42	**112**
Total $ Population	$95,227	$29,961	$19,737	$542,982	**$687,907**
% Warrant Tested	100.0%	13.0%	7.9%	11.9%	**17.9%**
% Total $ Tested	100.0%	54.5%	44.7%	21.8%	**34.7%**
# Clients Tested	274	90	23	62	**449**
# Claim Lines Tested	274	393	540	217	**1,424**
# Inaccurate Claim Pmts	0	16	540	53	**609** (2)
Inaccurate Claims Billed $	$0	$5,470	$25,000	$35,346	**$65,816** (3)
# Duplicates	0	0	216	4	**220**
Total $ Duplicates	$0	$0	$3,055	$181	**$3,236** (3)

(1) Numbers for Claim Lines Tested, Inaccurate Payments, and Duplicates, as well as the associated dollars, are estimates. These numbers changed as we discovered other or multiple errors during the claim sample test.
(2) Includes the duplicates
(3) Although we determined the amount of duplicate payments, which reflected potential contractor overpayment, the duplicates occurred on claims paid at the wrong contract rate and are within the context of a significant overall underpayment. Because not all contractor claims were reviewed, we cannot estimate the overall discrepancy in amounts paid on totals billed.

Department Response

AUDIT RESPONSE—MIHS CONTRACTS
SEPTEMBER 10, 2004

Issue:
MIHS needs to strengthen contract monitoring procedures.

Response: Concur. Staffing turnover and tasks associated with assigning contracts to the District impacted the monitoring capabilities and performance.

Recommendation A: Establish an effective contract monitoring function to ensure that vendors comply with contract terms and conditions, and that payments are made in accordance with contract rates.

Response: Concur.

Recommendation B: Obtain missing or outdated contract documentation on the ComTrans contracts.

Response: Concur – In process. MIHS Contracts Department personnel are obtaining the missing the documents and updating the documents in the ComTrans contract file.

Recommendation C: Develop an action plan to review other transportation contracts to all required documentation is current, and all claims are paid according to contract terms and conditions.

Response: Concur

Recommendation D: Evaluate the need for an automated Patient Transport scheduling system to streamline the manual process and improve efficiency in the transportation operation.

Response: Concur. MIHS has budgeted for an automated dispatch/scheduling system for the current fiscal year.

Target Completion Date: 3/1/05

AUDIT: **CONTRACTS - PATIENT TRANSPORTATION**

Approved By :

Matt Nelson — 10/26/04

Department Head/Elected Official — **Date**

MATT NELSON, MIHS CFO

Walter T Shaw — 10/27/04

Chief Officer — **Date**

TED SHAW, MIHS CEO

D R Smith — 10/29/04

County Administrative Officer — **Date**